

02/29/2000 02:13:14 PM
Page 1

1999 DRAFTING REQUEST

Bill

Received: 02/28/2000

Received By: shoveme

Wanted: Today

Identical to LRB:

For: Senate Chief Clerk

By/Representing:

This file may be shown to any legislator: NO

Drafter: mlief

May Contact:

Alt. Drafters: shoveme

Subject: Education - miscellaneous
Tax - individual income

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Changes to Edvest,creation of college savings program,income tax deductions

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mlief 02/28/2000	gilfokm 02/29/2000		_____			
/1			haugca 02/29/2000	_____	lrb_docadmin 02/29/2000	lrb_docadmin 02/29/2000	

FE Sent For:

<END>

02/28/2000 03:39:11 PM
Page 1

1999 DRAFTING REQUEST**Bill**Received: **02/28/2000**Received By: **shoveme**Wanted: **Today**

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1?	mlief	1-2-29-2000 Kmg	CH 2-29	CH 2-29 SK			

FE Sent For:

<END>

ASSEMBLY BILL 654 (LRB-4017)

An Act to repeal 14.63 (3) (a) 1. and 3.; to amend 14.63 (4), 14.63 (5) (a), 14.63 (5) (b) (intro.) and 2., 14.63 (8), 14.63 (11) (b) and 16.75 (2m) (a); and to create 14.57, 14.63 (3) (c), 14.64, 15.07 (1) (b) 2., 16.25, 20.585 (1) (gm) and 815.18 (3) (p) of the statutes; relating to: the college tuition prepayment program, creating a college savings program board and college savings program, granting rule-making authority and making an appropriation. (FE)

2000

- 01-11. A. Introduced by Representatives Kreibich, Plale, Underheim, Jensen, Musser, Kestell, Duff, M. Lehman, Rhoades, Hutchison, Sykora, Albers, Freese, Gunderson, Brandemuehl, Ladwig, Jeskewitz, Spillner, Suder, Ott, Plouff, Ryba, Meyerhofer, Stone, Olsen, Handrick, Klusman, Vrakas, Montgomery, Walker, Townsend, Ward, Pettis, Young, Ainsworth, Wieckert and Wasserman; cosponsored by Senators Grobschmidt, Welch, Darling, Burke, Erpenbach, Roessler, Decker, Farrow and Lazich.
- 01-11. A. Read first time and referred to committee on Colleges and Universities
- 591
- 01-12. A. Public hearing held .
- 01-12. A. Executive action taken .
- 01-12. A. Assembly amendment 1 offered by committee on Colleges and Universities (LRB a1144)
- 592
- 01-19. A. Fiscal estimate received .
- 01-19. A. Fiscal estimate received .
- 01-19. A. Fiscal estimate received .
- 01-19. A. Fiscal estimate received .
- 01-19. A. Fiscal estimate received .
- 01-25. A. Fiscal estimate received .
- 01-26. A. Report Assembly amendment 1 adoption recommended by committee on Colleges and Universities, Ayes 10, Noes 0
- 608
- 01-26. A. Report passage as amended recommended by committee on Colleges and Universities, Ayes 10, Noes 0
- 608
- 01-26. A. Referred to committee on Rules
- 608
- 01-26. A. Placed on calendar 2-1-2000 by committee on Rules .
- 02-02. A. Read a second time
- 630
- 02-02. A. Assembly amendment 1 laid on table
- 630
- 02-02. A. Assembly amendment 2 offered by Representative Kreibich (LRB a1138)
- 630

64817446

02-02. A. Assembly amendment 2 adopted
630
02-02. A. Assembly amendment 3 offered by Representative
Kreibich (LRB a1253)
630
02-02. A. Assembly amendment 3 adopted
630
02-02. A. Ordered to a third reading
630
02-02. A. Rules suspended
630
02-02. A. Read a third time and passed, Ayes 96, Noes 0
630
02-02. A. Ordered immediately messaged
631
02-03. S. Received from Assembly
420
02-03. S. Read first time and referred to committee on
Education
421
02-09. S. Public hearing held .
02-09. S. Executive action taken .
02-16. S. Report concurrence recommended by committee on
Education, Ayes 11, Noes 0
438
02-16. S. Available for scheduling .
02-24. S. Referred to joint committee on Finance pursuant to
Senate Rule 41 (1)(e) .
02-28. S. Printed engrossed by the direction of the Senate
Chief Clerk .

1999

ENGROSS BILL
[or 2nd House Sub]

(To Be Printed for Legislature)

(*) FREEZE SECTIONS (*) LRB 4017 1/1 ✓
MSL + MBS 4652
KMG

ENGROSSED 1999

Assembly BILL 654

(Date)

February 28

2000

- Printed by direction of Senate CHIEF CLERK

JOINT RULE 63. **Reproduction of engrossed measures.** Upon the finding by the chief clerk of either house that a bill, joint resolution, resolution or major amendment thereto has been amended in the house of origin to a considerable degree, the chief clerk may instruct the legislative reference bureau to prepare and have reproduced an engrossed copy of the measure. In preparing engrossed copy for a bill, joint resolution or resolution the legislative reference bureau shall, if time permits, provide it with a revised analysis. Upon receipt from the legislative reference bureau of the engrossed copy, the chief clerk shall enter that fact in the history file for the measure. Any subsequent amendments to a measure ordered reproduced with all adopted amendments engrossed therein shall be drafted to the reproduced engrossed text.

ADOPTED DOCUMENTS:

☒ Orig ☐ SubAmdt

401719

Amendments to above (if none, write "NONE"):

Assembly amendments 2 & 3

Corrections - show date (if none, write "NONE"):

2/28/00

Date

MSL + MBS

Drafter

KMG 2/29/2000

Editor

ELECTRONIC PROCEDURE: Follow automatic or manual engrossing procedures in *TEXT2000 Reference Guide*, Document Specific Procedures, Ch. 20, Engrossing and Enrolling.

WORD PROCESSING OPERATOR: Give paper copy of engrossed bill to drafter for final check before forwarding.

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LRB:

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- Drafting attorney 1 copy
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ENGROSSED

1999 ASSEMBLY BILL 654

January 11, 2000 – Introduced by Representatives KREIBICH, PLAIE, UNDERHEIM, JENSEN, MUSSER, KESTELL, DUFF, M. LEHMAN, RHOADES, HUTCHISON, SYKORA, ALBERS, FREESE, GUNDERSON, BRANDEMUEHL, LADWIG, JESKEWITZ, SPILLNER, SUDER, OTT, PLOUFF, RYBA, MEYERHOFER, STONE, OLSEN, HANDRICK, KLUSMAN, VRAKAS, MONTGOMERY, WALKER, TOWNSEND, WARD, PETTIS, YOUNG, AINSWORTH, WIECKERT and WASSERMAN, cosponsored by Senators GROBSCHMIDT, WELCH, DARLING, BURKE, ERPENBACH, ROESSLER, DECKER, FARROW and LAZICH. Referred to Committee on Colleges and Universities.

- 1 AN ACT *to repeal* 14.63 (3) (a) 1. and 3.; *to amend* 14.63 (4), 14.63 (5) (a), 14.63
 2 (5) (b) (intro.) and 2., 14.63 (8), 14.63 (11) (b) and 16.75 (2m) (a); and *to create*
 3 14.57, 14.63 (3) (c), 14.64, 15.07 (1) (b) 2., 16.25, 20.585 (1) (gm) and 815.18 (3)
 4 (p) of the statutes; **relating to:** the college tuition prepayment program,
 5 creating a college savings program board and college savings program,
 6 granting rule-making authority and making an appropriation.

INS-1-KA

Analysis by the Legislative Reference Bureau

Under current law, the state treasurer administers a college tuition ~~prepayment~~ program that allows a Wisconsin resident, trust or legal guardian to purchase tuition units from the state treasurer that may be redeemed in the future to pay tuition and mandatory student fees at any accredited institution of higher education in the United States on behalf of a beneficiary who is a Wisconsin resident. The college tuition ~~prepayment~~ program is a qualified state tuition plan under federal law; federal tax is deferred until funds are withdrawn, after which the distributions are taxable as ordinary income at the beneficiary's federal tax rate. Distributions are exempt from state tax. A person who wishes to purchase tuition units must pay a \$50 nonrefundable enrollment fee.

This bill repeals the residency requirements for purchasers and beneficiaries of tuition units; permits, but does not require, the state treasurer to charge an enrollment fee; and permits tuition units to be redeemed to cover tuition, fees and

ASSEMBLY BILL 654

the costs of room and board, books, supplies and equipment required for college enrollment. INS ANL 2-A ✓

The bill also creates a college savings program, which is administered primarily by an eleven-member college savings program board (board) that is attached to the office of the state treasurer. The college savings program allows an individual, trust or legal guardian to establish and contribute money to a college savings account to cover tuition, fees and the costs of room and board, books, supplies and equipment required for enrollment or attendance of a beneficiary at any accredited institution of higher education in the United States. (A tax-exempt nonprofit corporation and a state or local governmental unit may also open a college savings account as part of a scholarship program.) The board must ensure that the college savings program meets federal requirements for a qualified state tuition plan and must invest the contributions to college savings accounts and pay distributions to beneficiaries and institutions of higher education. Under the bill, the department of administration (DOA) selects a private entity to serve as program manager, based upon factors specified in the bill and other factors determined by DOA. The contract between DOA and the manager must, among other things, require the manager to reimburse the state for all administrative costs that the state incurs for the college savings program. The bill also prohibits a state agency, a University of Wisconsin System institution or a technical college from including the balance of a college savings account in the calculation of a beneficiary's eligibility for state financial aid for higher education. INS ANL 2-B ✓

For further information see the ~~state fiscal estimate, which will be printed as an appendix to this bill~~

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 14.57 of the statutes is created to read:

2 **14.57 Same; attached boards.** There is created a college savings program
3 board that is attached to the office of the state treasurer under s. 15.03 and that
4 consists of all of the following members:

5 (1) The state treasurer or his or her designee.

6 (2) The president of the board of regents of the University of Wisconsin System
7 or his or her designee.

8 (3) ~~The president of the Wisconsin Association of Independent~~
9 ~~A representative of private colleges in this state, appointed for a 4-year~~
~~term.~~ ~~Colleges and Universities or his or her designee.~~ ✓

→ INS. 2-8 ←

AA 3

ASSEMBLY BILL 654

1 (4) The chairperson of the investment board or his or her designee.

2 (5) The president of the technical college system board or his or her designee.

3 (6) Six other members, appointed for 4-year terms.

4 **SECTION 2.** 14.63 (3) (a) 1. and 3. of the statutes, as affected by 1999 Wisconsin

5 Act 9, are repealed.

6 **SECTION 3.** 14.63 (3) (c) of the statutes is created to read:

7 14.63 (3) (c) The state treasurer may charge a purchaser an enrollment fee.

8 **SECTION 4.** ~~14.63 (4) of the statutes, as affected by 1999 Wisconsin Act 9, is~~
9 ~~amended to read:~~

10 ~~14.63 (4) NUMBER OF TUITION UNITS PURCHASED. A person who enters into a~~
11 ~~contract under sub. (3) may purchase tuition units at any time and in any number,~~
12 ~~except that the total number of tuition units purchased on behalf of a single~~
13 ~~beneficiary may not exceed the number necessary to pay for 4 years of full-time~~
14 ~~attendance, including mandatory student tuition, fees and the costs described in sub.~~
15 ~~(5) (a), as a resident undergraduate at the institution within the University of~~
16 ~~Wisconsin System that has the highest resident undergraduate tuition, as~~
17 ~~determined by the state treasurer, in the anticipated academic years of their use.~~

18 **SECTION 5.** 14.63 (5) (a) of the statutes, as affected by 1999 Wisconsin Act 9, is
19 amended to read:

20 14.63 (5) (a) Except as provided in sub. (7m), if an individual named as
21 beneficiary in a contract under sub. (3) attends an institution of higher education in
22 the United States, each tuition unit purchased on his or her behalf entitles that
23 beneficiary to apply toward the payment of tuition and mandatory student, fees and
24 the costs of room and board, books, supplies and equipment required for enrollment
25 or attendance at the institution an amount equal to 1% of the anticipated weighted

ASSEMBLY BILL 654

SECTION 5

1 average tuition of bachelor's degree-granting institutions within the University of
2 Wisconsin System for the year of attendance, as estimated under sub. (2) in the year
3 in which the tuition unit was purchased.

4 **SECTION 6.** 14.63 (5) (b) (intro.) and 2. of the statutes, as affected by 1999
5 Wisconsin Act 9, are amended to read:

6 14.63 (5) (b) (intro.) Upon request by the beneficiary, the state treasurer shall
7 pay to the institution or beneficiary, whichever is appropriate, in each semester of
8 attendance the lesser of the following:

9 2. An amount equal to the sum of the institution's tuition ~~and mandatory~~
10 ~~student~~, fees and the costs described in par. (a) for that semester.

11 **SECTION 7.** 14.63 (8) of the statutes, as affected by 1999 Wisconsin Act 9, is
12 amended to read:

13 14.63 (8) EXEMPTION FROM GARNISHMENT, ATTACHMENT AND EXECUTION. Moneys
14 deposited in the tuition trust fund and a beneficiary's right to the payment of tuition
15 ~~and mandatory student~~, fees and the costs described in sub. (5) (a) under this section
16 are not subject to garnishment, attachment, execution or any other process of law.

17 **SECTION 8.** 14.63 (11) (b) of the statutes, as affected by 1999 Wisconsin Act 9,
18 is amended to read:

19 14.63 (11) (b) The requirements to pay tuition ~~and mandatory student~~, fees and
20 the costs of room and board, books, supplies and equipment under sub. (5) and to
21 make refunds under sub. (7) are subject to the availability of sufficient assets in the
22 tuition trust fund.

23 **SECTION 9.** 14.64 of the statutes is created to read:

24 **14.64 College savings program. (1) DEFINITIONS.** In this section:

INS
4-22-21
APR 23

ASSEMBLY BILL 654

1 (a) "Account owner" means an individual who establishes a college savings
2 account under this section.

3 (b) "Board" means the college savings program board.

4 **(2) DUTIES OF THE BOARD.** The board shall do all of the following:

5 (a) Except as provided in s. 16.25, establish and administer a college savings
6 program that allows an individual, trust, legal guardian or entity described under
7 26 USC 529 (e) (1) (C) to establish a college savings account to cover tuition, fees and
8 the costs of room and board, books, supplies and equipment required for the
9 enrollment or attendance of a beneficiary at an eligible educational institution, as
10 defined under 26 USC 529.

11 (b) Ensure that the college savings program meets the requirements of a
12 qualified state tuition plan under 26 USC 529.

13 (c) Invest the contributions to college savings accounts and pay distributions
14 to beneficiaries and eligible educational institutions.

15 (d) Provide to each account owner, and to persons who are interested in
16 establishing a college savings account, information about current and estimated
17 future higher education costs, levels of participation in the college savings program
18 that will help achieve educational funding objectives and availability of and access
19 to financial aid.

20 (e) Promulgate rules to implement and administer this section, including rules
21 that determine whether a withdrawal from a college savings account is a qualified
22 or nonqualified withdrawal, as defined under 26 USC 529, and that impose more
23 than a de minimis penalty, as defined under 26 USC 529, for nonqualified
24 withdrawals.

ASSEMBLY BILL 654

SECTION 9

1 (f) Seek rulings and guidance from the U.S. department of the treasury, the
2 internal revenue service and the securities and exchange commission to ensure the
3 proper implementation and administration of the college savings program.

4 (g) Ensure that if the department of administration changes ^{vendors}~~managers~~, the
5 balances of college savings accounts are promptly transferred into investment
6 instruments as similar to the original investment instruments as possible.

7 (h) Keep personal and financial information pertaining to an account owner or
8 a beneficiary closed to the public. *INS 6-8* ✓

9 (3) ACCOUNT OWNERS; BENEFICIARIES; CONTRIBUTIONS; TERMINATION OF SAVINGS
10 ACCOUNTS. (a) An account owner may do all of the following:

- 11 1. Contribute to a college savings account
- 12 2. Select a beneficiary of a college savings account.
- 13 3. Change the beneficiary of a college savings account to a family member, as
14 defined under 26 USC 529, of the previous beneficiary.
- 15 4. Transfer all or a portion of a college savings account to another college
16 savings account whose beneficiary is a member of the family.
- 17 5. Designate an individual other than the beneficiary as an individual to whom
18 funds may be paid from a college savings account.
- 19 6. Receive distributions from a college savings account if no other individual
20 is designated.

21 (b) An individual may be the beneficiary of more than one college savings
22 account, and an account owner may be the beneficiary of a college savings account
23 that the account owner has established.

24 (c) The board shall establish a minimum initial contribution to a college savings
25 account that may be waived if the account owner agrees to contribute to a college

ASSEMBLY BILL 654

1 savings account through a payroll deduction or automatic deposit plan. The board
2 shall ensure that any such plan permits the adjustment of scheduled deposits
3 because of a change in the account owner's economic circumstances or a beneficiary's
4 educational plans.

5 (d) An account owner under this section may terminate his or her college
6 savings account if any of the following occurs:

- 7 1. The beneficiary dies or is permanently disabled.
- 8 2. The beneficiary graduates from high school but is unable to gain admission
9 to an institution of higher education after a good faith effort.
- 10 3. The beneficiary attended an institution of higher education but involuntarily
11 failed to complete the program in which he or she was enrolled.
- 12 4. The beneficiary is at least 18 years old and one of the following applies:
 - 13 a. The beneficiary has not graduated from high school.
 - 14 b. The beneficiary has decided not to attend an institution of higher education.
 - 15 c. The beneficiary attended an institution of higher education but voluntarily
16 withdrew without completing the program in which he or she was enrolled.
- 17 5. Other circumstances determined by the board to be grounds for termination.

18 (e) The board shall terminate a college savings account if any portion of the
19 college savings account balance remains unused 10 years after the anticipated
20 academic year of the beneficiary's initial enrollment in an eligible educational
21 institution.

22 (4) **CONTRACTS WITH PROFESSIONALS.** The board may enter into a contract for the
23 services of accountants, attorneys, consultants and other professionals to assist in
24 the administration and evaluation of the college savings program.

ASSEMBLY BILL 654

SECTION 9

1 (5) REPORT. Annually, the board shall submit a report to the governor, and to
2 the appropriate standing committees of the legislature under s. 13.172 (3), on the
3 performance of the college savings program, including any recommended changes to
4 the program.

5 (6) CONSTRUCTION. Nothing in this section guarantees an individual's
6 admission to, retention by or graduation from any institution of higher education; a
7 rate of interest or return on a college savings account; or the payment of principal,
8 interest or return on a college savings account.

9 (7) EXEMPTION FROM GARNISHMENT, ATTACHMENT AND EXECUTION; SECURITY FOR
10 LOAN. (a) A beneficiary's right to qualified withdrawals under this section is not
11 subject to garnishment, attachment, execution or other process of law.

12 (b) No interest in a college savings account may be pledged as security for a
13 loan.

14 (8) FINANCIAL AID CALCULATIONS. No state agency, University of Wisconsin
15 System institution or college campus or technical college may include the balance of
16 a college savings account in the calculation of a beneficiary's eligibility for state
17 financial aid for higher education.

18 SECTION 10. 15.07 (1) (b) 2. of the statutes is created to read:

19 15.07 (1) (b) 2. College savings program board.

20 SECTION 11. 16.25 of the statutes is created to read:

21 16.25 College savings program ^{vendor} ~~manager~~. (1) The department shall
22 determine the factors to be considered in selecting a ^{vendor} ~~person to serve as manager~~ of
23 the program under s. 14.64, which shall include:

24 (a) The person's ability to satisfy record-keeping and reporting requirements.

25 (b) The fees, if any, that the person proposes to charge account owners.

ASSEMBLY BILL 654

1 (c) The person's plan for promoting the college savings program and the
2 investment that the person is willing to make to promote the program.

3 (d) The minimum initial contribution or minimum contributions that the
4 person will require.

5 (e) The ability and willingness of the person to accept electronic contributions.

6 (f) The ability of the person to augment the college savings program with
7 additional, beneficial services related to the program.

8 (2) The department shall solicit competitive sealed proposals under s. 16.75
9 (2m) from nongovernmental persons to serve as ~~manager~~ ^{Vendor} of the college savings
10 program. The department shall select the ~~manager~~ ^{Vendor} based upon factors determined
11 by the department under sub. (1).

12 (3) The contract between the department and the ~~manager~~ ^{Vendor} shall ensure all of
13 the following:

14 (a) That the ~~manager~~ ^{Vendor} reimburses the state for all administrative costs that the
15 state incurs for the college savings program.

16 (b) That a firm of certified public accountants selected by the ~~manager~~ ^{Vendor} annually
17 audits the college savings program and provides a copy of the audit to the college
18 savings program board.

19 (c) That each account owner receives a quarterly statement that identifies the
20 contributions to the college savings account during the preceding quarter, the total
21 contributions to and the value of the college savings account through the end of the
22 preceding quarter and any distributions made during the preceding quarter.

23 SECTION 12. 16.75 (2m) (a) of the statutes is amended to read:

24 16.75 (2m) (a) If Except as otherwise required by law, if the secretary or his or
25 her designee determines that the use of competitive sealed bidding is not practicable

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ASSEMBLY BILL 654

SECTION 12

1 or not advantageous to this state, the department may solicit competitive sealed
2 proposals. Each request for competitive sealed proposals shall state the relative
3 importance of price and other evaluation factors.

4 **SECTION 13.** 20.585 (1) (gm) of the statutes is created to read:

5 20.585 (1) (gm) *General program operations; reimbursement.* All moneys
6 received from the ~~manager~~ ^{vendor} of the college savings program under s. 16.25 (3) (a) for
7 general programs operations. ~~No moneys may be encumbered under this paragraph~~
8 ~~on or after the first day of the 25th month beginning after the effective date of this~~
9 ~~paragraph [revisor inserts date]~~ → 10-9
10 → 10-10

11 **SECTION 14.** 815.18 (3) (p) of the statutes is created to read:

12 815.18 (3) (p) *College savings accounts.* An interest in a college savings account
13 under s. 14.64.

14 **SECTION 15. Nonstatutory provisions.**

15 (1) (a) Notwithstanding section 15.07 (1) (b) 2. of the statutes, as created by this
16 act, the governor may provisionally appoint initial members of the college savings
17 program board under section 14.57 of the statutes, as created by this act. Those
18 provisional appointments are in force until the governor withdraws them or the
19 senate acts upon them, and if the senate confirms them, they continue for the
20 remainder of the unexpired terms, if any, of the members and until successors are
21 chosen and qualify. A provisional appointee may exercise all the powers and duties
22 of board membership to which the person is appointed during the time in which the
23 appointee qualifies.

24 (b) A provisional appointment under paragraph (a) that the governor
25 withdraws lapses upon withdrawal and creates a vacancy for the provisional
appointment of another initial member of the college savings program board. A

ASSEMBLY BILL 654

1 provisional appointment that the governor makes under paragraph (a) and that the
2 senate rejects lapses upon rejection and creates a vacancy for nomination and
3 appointment under section 15.07 (1) (b) 2. of the statutes, as created by this act, of
4 another initial board member.

5 (2) Notwithstanding the length of the terms specified in section 14.57 (3) and
6 (6) of the statutes, as created by this act, the initial terms of the member appointed
7 under section 14.57 (3) of the statutes, as created by this act, and of 2 of the members
8 appointed under section 14.57 (6) of the statutes, as created by this act, expire on May
9 1, 2003; and the initial terms of 4 of the members appointed under section 14.57 (6)
10 of the statutes, as created by this act, expire on May 1, 2005.

11 **SECTION 16. Effective dates.** This act takes effect on the first day of the 10th
12 month following publication, except as follows:

13 (1) The treatment of sections 14.57 and 15.07 (1) (b) 2. of the statutes and
14 SECTION 15 of this act take effect the day after publication.

15 (END)

**1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-4652/linsKA
...:kmg:...

INS. 1-KA

Engrossment information:

The text of Engrossed 1999 Assembly Bill 654 consists of the following documents adopted in the assembly on February 2, 2000: the bill as affected by Assembly Amendment 2 and Assembly Amendment 3. The text also includes the February 29, 2000, LRB correction to the bill.

Content of Engrossed 1999 Assembly Bill 654:

**1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB
MJL:.....

X The text of Engrossed 1999 Assembly Bill 89 consists of the following documents adopted in the assembly on February 2, 2000: the bill as affected by Assembly Amendment 2 and Assembly Amendment 3. The text also includes the February 29, 2000, LRB correction to the bill. ¹

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-4652/linsMES
MES::

INS ANL 2-A

Not Also under the bill, a distribution from the college tuition program is not exempt from state taxation if the distribution results from the termination of the contract under the tuition program for a number of reasons, such as the prospective beneficiary's death, failure to graduate from high school, failure to gain admittance to an institution of higher education or *a* decision to not attend an institution of higher education. *is*

The bill creates a tax deduction for amounts paid into a college tuition program if the beneficiary of the account *is* either the claimant or the claimant's child and dependent. Generally, the deduction is limited to \$3,000 each year per beneficiary.

INS 2-B

is The bill exempts from taxation any increase in the value of a college savings account, unless the claimant makes an unqualified withdrawal, and creates a tax deduction for amounts paid into a college savings account if the beneficiary of the account *is* either the claimant or the claimant's child and dependent. Generally, the deduction is limited to \$3,000 each year per beneficiary.

Under current law, an income tax "education" deduction exists for amounts paid by a claimant for tuition expenses for the claimant or for a child of the claimant who is also the claimant's dependent to attend any university, college, technical college or a school approved by the educational approval board, that is located in Wisconsin *or* to attend a public vocational school or public institution of higher education in Minnesota. The deduction that may be claimed is up to \$3,000 each year for each student to whom the claim relates, although the maximum amount that may be claimed is reduced to zero as the claimant's income increases from \$50,000 to \$60,000 for a single or married head of household filer, from \$80,000 to \$100,000 for a married joint filer or from \$40,000 to \$50,000 for a married separate filer. Under the bill, no "education" deduction may be claimed for any amounts paid for tuition expenses if the source of the payment is an amount withdrawn from a college savings account or from a college tuition program.

an amount

**ASSEMBLY AMENDMENT 2,
TO 1999 ASSEMBLY BILL 654**

February 2, 2000 - Offered by Representative KREIBICH.

At the locations indicated, amend the bill as follows:

1
2 ~~1. Page 1, line 6, before "granting" insert~~ **INS 1-6** creating a tax deduction for certain
3 amounts contributed to the college tuition prepayment program, creating a tax
4 deduction for certain amounts contributed to the college savings program,
5 exempting from taxation certain gains derived from contributions to the college
6 savings program,

7 ~~2. Page 10, line 9: after that line insert:~~ **INS 10-10**

8 **SECTION 13g.** 71.05 (6) (b) 23. of the statutes, as affected by 1999 Wisconsin
9 Act 9, is amended to read:

10 71.05 (6) (b) 23. Any increase in value of a tuition unit that is purchased under
11 a tuition contract under s. 14.63, except that the subtraction under this subdivision
12 may not be claimed by any individual who received a refund under s. 14.63 (7) (a) 2.,
13 3. or 4.

TNS 10-10

1 **SECTION 13h.** 71.05 (6) (b) 28. h. of the statutes is created to read:

2 71.05 (6) (b) 28. h. No modification may be claimed under this subdivision for
3 an amount paid for tuition expenses, as described under this subdivision, if the
4 source of the payment is an amount withdrawn from a college savings account, as
5 described in s. 14.64 or from a college tuition prepayment program, as described in
6 s. 14.63.

7 **SECTION 13j.** 71.05 (6) (b) 31. of the statutes is created to read:

8 71.05 (6) (b) 31. Any increase in value of a college savings account, as described
9 in s. 14.64, except that the subtraction under this subdivision may not be claimed by
10 any individual who has made an unqualified withdrawal, as described in s. 14.64 (2)
11 (e).

12 **SECTION 13m.** 71.05 (6) (b) 32. of the statutes is created to read:

13 71.05 (6) (b) 32. An amount paid into a college savings account, as described
14 in s. 14.64, if the beneficiary of the account either is the claimant or is the claimant's
15 child and the claimant's dependent who is claimed under section 151 (c) of the
16 Internal Revenue Code, calculated as follows:

17 a. An amount equal to not more than \$3,000 per beneficiary for each year to
18 which the claim relates.

19 b. For an individual who is a nonresident or part-year resident of this state,
20 multiply the amount calculated under subd. 32. a. by a fraction the numerator of
21 which is the individual's wages, salary, tips, unearned income and net earnings from
22 a trade or business that are taxable by this state and the denominator of which is the
23 individual's total wages, salary, tips, unearned income and net earnings from a trade
24 or business. In this subd. 32. b., for married persons filing separately "wages, salary,
25 tips, unearned income and net earnings from a trade or business" means the separate

1 wages, salary, tips, unearned income and net earnings from a trade or business of
2 each spouse, and for married persons filing jointly "wages, salary, tips, unearned
3 income and net earnings from a trade or business" means the total wages, salary,
4 tips, unearned income and net earnings from a trade or business of both spouses.

5 c. Reduce the amount calculated under subd. 32. a. or b. to the individual's
6 aggregate wages, salary, tips, unearned income and net earnings from a trade or
7 business that are taxable by this state.

8 **SECTION 13p.** 71.05 (6) (b) 33. of the statutes is created to read:

9 71.05 (6) (b) 33. An amount paid into a college tuition prepayment program,
10 as described in s. 14.63, if the beneficiary of the account either is the claimant or is
11 the claimant's child and the claimant's dependent who is claimed under section 151
12 (c) of the Internal Revenue Code, calculated as follows:

13 a. An amount equal to not more than \$3,000 per beneficiary for each year to
14 which the claim relates.

15 b. For an individual who is a nonresident or part-year resident of this state,
16 multiply the amount calculated under subd. 33. a. by a fraction the numerator of
17 which is the individual's wages, salary, tips, unearned income and net earnings from
18 a trade or business that are taxable by this state and the denominator of which is the
19 individual's total wages, salary, tips, unearned income and net earnings from a trade
20 or business. In this subd. 33. b., for married persons filing separately "wages, salary,
21 tips, unearned income and net earnings from a trade or business" means the separate
22 wages, salary, tips, unearned income and net earnings from a trade or business of
23 each spouse, and for married persons filing jointly "wages, salary, tips, unearned
24 income and net earnings from a trade or business" means the total wages, salary,
25 tips, unearned income and net earnings from a trade or business of both spouses.

1 c. Reduce the amount calculated under subd. 33. a. or b. to the individual's
2 aggregate wages, salary, tips, unearned income and net earnings from a trade or
3 business that are taxable by this state. *End Ins 10-10*

4 ~~3. Page 11, line 10: after that line insert:~~

5 ~~4~~ **SECTION 15m. Initial applicability.**

6 (1) The treatment of section 71.05 (6) (b) 23., 28. h., 31., 32. and 33. of the
7 statutes first applies to taxable years beginning on January 1 of the year in which
8 this subsection takes effect, except that if this subsection takes effect after July 31
9 the treatment of section 71.05 (6) (b) 28. h., 31. and 32. of the statutes first applies
10 to taxable years beginning on January 1 of the year following the year in which this
11 subsection takes effect. *(END)*

12 *Ins 11-11*

**ASSEMBLY AMENDMENT 3,
TO 1999 ASSEMBLY BILL 654**

February 2, 2000 - Offered by Representative KREIBICH.

Ins. 2-8

At the locations indicated, amend the bill as follows:

✓ 1. Page 2, line 8: delete lines 8 and 9 and substitute:

"(3) The president of the Wisconsin Association of Independent Colleges and Universities or his or her designee."

Ins 3-4

✓ 2. Page 3, line 3: after that line insert.

"SECTION 1g. 14.63 (title) of the statutes, as affected by 1999 Wisconsin Act 9, is amended to read:

14.63 (title) College tuition prepayment and expenses program.

SECTION 1m. 14.63 (1) (b) of the statutes, as affected by 1999 Wisconsin Act 9, is amended to read:

14.63 (1) (b) "Institution of higher education" means ~~a public or private institution of higher education that is accredited by an accrediting association recognized by the state treasurer, and a proprietary school approved by the~~

1 ~~educational approval board under s. 45.54~~ an eligible educational institution, as
2 defined under 26 USC 529.

3 **SECTION 1r.** 14.63 (3) (title) of the statutes, as affected by 1999 Wisconsin Act
4 9, is amended to read:

5 14.63 (3) (title) ~~TUITION PREPAYMENT~~ COLLEGE TUITION AND EXPENSES
6 CONTRACTS. *end*
FNS 3-4

7 **3.** ~~Page 3, line 8: delete lines 8 to 17 and substitute:~~

8 **SECTION 4m.** 14.63 (4) of the statutes, as affected by 1999 Wisconsin Act 9, is
9 amended to read:

10 14.63 (4) NUMBER OF TUITION UNITS PURCHASED. A person who enters into a
11 contract under sub. (3) may purchase tuition units at any time and in any number,
12 except that the total number of tuition units purchased on behalf of a single
13 beneficiary may not exceed the number necessary to pay for 4 years of full-time
14 attendance, including mandatory student fees, as a resident undergraduate at the
15 institution within the University of Wisconsin System that has the highest resident
16 undergraduate tuition, as determined by the state treasurer, in the anticipated
17 academic years of their use cover tuition, fees and the costs of room and board, books,
18 supplies and equipment required for enrollment or attendance of the beneficiary at
19 an institution of higher education. *INS*
3-8

20 **4.** ~~Page 4, line 22: after that line insert:~~ *INS 4-22*

21 **SECTION 8m.** 14.63 (11m) of the statutes is created to read:

22 14.63 (11m) FINANCIAL AID CALCULATIONS. The value of tuition units shall not
23 be included in the calculation of a beneficiary's eligibility for state financial aid for
24 higher education if the beneficiary notifies the higher educational aids board and the

1 institution of higher education that the beneficiary is planning to attend that he or
2 she is a beneficiary of a contract under this section and the contract owner agrees to
3 release to the higher educational aids board and the institution of higher education
4 information necessary for the calculation under this subsection.

5 **SECTION 8r.** 14.63 (13) of the statutes, as affected by 1999 Wisconsin Act 9, is
6 amended to read:

7 **14.63 (13) PROGRAM TERMINATION.** If the state treasurer determines that the
8 program under this section is financially infeasible, the state treasurer shall
9 discontinue entering into tuition prepayment contracts under sub. (3) and
10 discontinue selling tuition units under sub. (4). *end Ins 4-22*

11 *✓* 5. Page 6, line 4: delete "managers" and substitute "vendors".

12 *✓* 6. Page 6, line 8: after "public" insert "ins", except that the board may release to
13 the appropriate state agency information necessary in determining a beneficiary's
14 eligibility for state financial aid for higher education. *INS 6-8*

15 *✓* 7. Page 8, line 14: delete lines 14 to 17 and substitute:

16 *✓* (8) FINANCIAL AID CALCULATIONS. The balance of a college savings account shall
17 not be included in the calculation of a beneficiary's eligibility for state financial aid
18 for higher education if the beneficiary notifies the higher educational aids board and
19 the eligible educational institution that the beneficiary is planning to attend that he
20 or she is a beneficiary of a college savings account and if the account owner agrees
21 to release to the higher educational aids board and the eligible educational
22 institution information necessary for the calculation under this subsection. *INS 8-14*

23 *✓* 8. Page 8, line 21: delete "manager" and substitute "vendor".

24 *✓* 9. Page 8, line 22: delete "person to serve as manager" and substitute "vendor".

1 ✓ 10. Page 9, line 9: on lines 9, 10, 12, 14 and 16, delete "manager" and
2 substitute "vendor". ~~manager~~ ~~vendor~~

3 ✓ 11. Page 9, line 22: after that line insert: ~~manager~~ ~~vendor~~ ~~STET~~

4 (d) That the ~~manager~~ communicate to the beneficiary and account owner the
5 requirements of s. 14.64 (8). ~~manager~~

6 ✓ 12. Page 10, line 6: delete "manager" and substitute "vendor".

7 ✓ 13. Page 10, line 7: delete the material beginning with "No" and ending with
8 "[revisor inserts date]." on line 9.

9 ✓ 14. Page 10, line 9: after that line insert:

10 SECTION 13~~m~~. 20.585 (2) (a) of the statutes is amended to read:
11 ~~dm~~

12 20.585 (2) (a) *Administrative expenses; general fund.* The amounts in the
13 schedule for the administrative expenses of the college tuition prepayment and
expenses program under s. 14.63, including the expense of promoting the program.

14 SECTION 13~~r~~. 20.585 (2) (s) of the statutes is amended to read:
15 ~~dr~~

16 20.585 (2) (s) *Administrative expenses; tuition trust fund.* From the tuition
17 trust fund, the amounts in the schedule for the administrative expenses of the college
18 tuition prepayment and expenses program under s. 14.63, including the expense of
promoting the program.

19 ✓ 15. Page 11, line 5: delete lines 5 to 10 and substitute: ~~manager~~ ~~vendor~~ ~~STET~~

20 (2) Notwithstanding the length of the terms specified in section 14.57 (6) of the
21 statutes, as created by this act, the initial terms of 3 of the members appointed under
22 section 14.57 (6) of the statutes, as created by this act, expire on May 1, 2003, and
23 the initial terms of 3 of the members expire on May 1, 2005.

24 ✓ 16. Page 11, line 14: after that line insert:

1

ccc 2

3

4

(2) The treatment of sections 14.63 (title), (3) (title), (a) 1. and 3. and (c), (4),
(5) (a) and (b) (intro.) and 2., ccc (11) (b), (11m) and (13), and 20.585 (2) (a) and (s) of
the statutes takes effect on the first day of the 4th month following publication.

(END)

± WS
11-15